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Money And Credit MCQ

10th Standard

Social Science

40 x 1 = 40

- 1) The exchange of goods for goods is:
(a) Banker of option (b) Bills of exchange (c) Barter (d) Currency
- 2) Currency is issued by:
(a) RBI on behalf of central government (b) By president of India (c) By finance minister
(d) None of them
- 3) National Sample Survey Organisation is a
(a) Commercial bank organisation (b) An organisation of World Bank
(c) An organisation associated with Indian Standard Institute
(d) An institution responsible to collect data on formal sector credit.
- 4) Gold mohar, a coin so named was brought in circulation by
(a) Akbar (b) Sher Shah Suri (c) Ashok (d) Shivaji
- 5) Which agency is not included in informal loan sector or agency
(a) Bank (b) Village money lender (c) Trader (d) Relative of borrower
- 6) In SHG most of the decisions regarding savings and loan activities are taken by
(a) Bank (b) Members (c) Non-government organisations (d) LIC
- 7) Formal sources of credit do not include
(a) Banks (b) Co-operatives (c) Employers (d) LIC
- 8) Security against loan is
(a) Collateral (b) Token Coins (c) Promisory Note (d) Currency
- 9) The founder of Grameen bank of Bangladesh is
(a) Amartya Sen (b) Mohammad Salim (c) Mohammad Yunus (d) None of the above
- 10) A bill of exchange promising to a certain sum written there in
(a) Currency (b) Collateral (c) Promisory note (d) Bank rate
- 11) Since money acts as an intermediate in the exchange process, it is called
(a) value for money (b) exchange value
- 12) Modern forms of money include
(a) paper notes (b) gold coins (c) silver coins (d) copper coins
- 13) Who issues currency notes on behalf of the Central government in India?
(a) NABARD (b) Reserve Bank of India (RBI) (c) World Bank (d) State Bank of India (SBI)
- 14) Deposits in bank accounts withdrawn on demand are called:
(a) fixed deposits (b) recurring deposits (c) demand deposits (d) none of these

- 15) Banks in India these days, hold about _____ per cent of their deposits as cash
(a) 50 (b) 20 (c) 15 (d) 10
- 16) Major portion of the deposits is used by banks for
(a) setting up new branches (b) paying taxes (c) paying interest on loans
(d) extending loans
- 17) What is the main source of income for banks?
(a) Interest on loans (b) Interest on deposits
(c) Difference between the interest charged on borrowers and depositors (d) None of these
- 18) In rural areas, farmers take credit for?
(a) Family (b) Health (c) Crop production (d) Education
- 19) A 'debt trap' means:
(a) inability to repay credit amount (b) ability to pay credit amount
(c) overspending till no money is left (d) none of these
- 20) What is the 'collateral' demand that lenders make against loans?
(a) Vehicle of the borrower (b) Building of the borrower (c) Both (a) and (b)
(d) None of these
- 21) Terms of credit do not include:
(a) interest rate (b) collateral (c) documentation (d) lender's land
- 22) Informal sector loans include
(a) NABARD (b) State Bank of India (c) moneylenders (d) both (b) and (c)
- 23) Banks and cooperatives need to lend more to borrowers because
(a) high cost of borrowing from informal sources (b) borrowers wish to set up enterprises
(c) borrowers need more money but cannot ask (d) none of these
- 24) Poor households in urban areas take loans from _____ sources
(a) formal (b) informal (c) both (a) and (b) (d) none of these
- 25) What prevents the poor from getting bank loans?
(a) Complexity of procedure (b) Absence of collateral (c) High rates of interest
(d) None of these
- 26) What is the name of the success story that met the credit needs of the poor, at reasonable rates, in Bangladesh
(a) Grameen Bank (b) Reserve Bank (c) Cooperative Bank (d) None of these
- 27) Which one of the following is not an informal sector of credit?
(a) Traders (b) SHGs (c) Money Lenders (d) Employer
- 28) Grameen Bank is a success story of
(a) India (b) Bangladesh (c) Nepal (d) China
- 29) Which of the following can be considered as the modern form(s) of money?
(a) Currencies (b) Drafts (c) Cheques (d) All of these

- 30) Which of the following households constitutes the largest segment of borrowers in the formal sector of credit?
- (a) Poor households (b) Rich households (c) Well-off households
(d) Households with few assets
- 31) Which one of the following authorises money as a medium of exchange?
- (a) Reserve Bank of India (b) Self Help Groups (c) The Central Government
(d) The President of India
- 32) What do you mean by collateral?
- (a) It is the total sum of money with a person (b) It is the things kept in the locker
(c) It is the guarantee given by the lender to the borrower
(d) It is the security to a lender until the loan is repaid
- 33) Banks do not give loans
- (a) to small farmers (b) to marginal farmers (c) to industries
(d) without proper collateral and documents
- 34) Which one of the following statement is not true about 'credit'?
- (a) In rural households, moneylenders are the biggest source of credit for the people
(b) Credit helps the farmers to meet the expenses of food grain production
(c) Cheap and affordable credit is crucial for the country's development
(d) Credit can never push a person in debt trap.
- 35) Professor Muhammad Yunus is the founder of which one of the following banks?
- (a) Commercial bank (b) Land development bank (c) Cooperative bank (d) Grameen bank
- 36) Which of the following is crucial for the development of a country?
- (a) High rate of interest on credit (b) Cheap and affordable credit
(c) Increase the lending activity of informal sector
(d) Decrease the lending activity of formal sector
- 37) Which of the following statements is most appropriate regarding the transactions made in money?
- (a) It promotes trade (b) It is the safest way (c) It is the easiest way
(d) It is the cheapest way
- 38) Banks provide a high rate of interest on which one of the following accounts?
- (a) Fixed deposits for long period (b) Savings account (c) Current account
(d) Fixed deposits for short period
- 39) Which of the following is a modern form of currency?
- (a) Silver (b) Gold (c) Paper notes (d) Copper
- 40) Which of the following statement is not true about modern forms money?
- (a) It is a medium of exchange (b) Modern forms of money include paper notes
(c) It include coins (d) It is made of valuable metals like gold and silver

41) The use of money spans a very large part of our everyday life. Look around you and you would easily be able to identify several transactions involving money in any single day. Can you make a list of these? In many of these transactions, goods are being bought and sold with the use of money. In some of these transactions, services are being exchanged with money. For some, there might not be any actual transfer of money taking place now but a promise to pay money later. Have you ever wondered why transactions are made in money? The reason is simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money and then exchange the money for things that they want. Take the case of a shoe manufacturer. He wants to sell shoes in the market and buy wheat. The shoe manufacturer will first exchange shoes that he has produced for money, and then exchange the money for wheat. Imagine how much more difficult it would be if the shoe manufacturer had to directly exchange shoes for wheat without the use of money. He would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange. That is, both parties have to agree to sell and buy each others commodities. This is known as double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy. In a barter system where goods are directly exchanged without the use of money, double coincidence of wants is an essential feature. In contrast, in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants. It is no longer necessary for the shoe manufacturer to look for a farmer who will buy his shoes and at the same time sell him wheat. All he has to do is find a buyer for his shoes. Once he has exchanged his shoes for money, he can purchase wheat or any other commodity in the market. Since money acts as an intermediate in the exchange process, it is called a medium of exchange.

1. Give reason why transactions are made in money?

(a) The reason why transactions are made in money is very complicated. A person holding money can easily exchange it for only food commodity or service that he or she might want. Thus everyone prefers to receive payments in money.

(b) The reason why transactions are made in money is very simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money.

(c) The reason why transactions are made in money is very simple. A person holding money can easily exchange it for only clothes or service that he or she might want. Thus everyone prefers to give payments in money.

(d) The reason why transactions are made in money is very simple. A person holding money can easily return it for the only commodity that he or she might want. Thus everyone prefers to receive payments in money.

2. What do you mean by double coincidence of wants?

(a) When the seller and buyer or both parties agree to sell and buy each others commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

(b) When the seller and buyer or both parties disagree to buy each others commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

(c) When the seller and buyer or both parties agree to only sell each others commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to sell.

(d) When two sellers agree to sell and buy each others commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

3. How would had the shoe manufacturer directly exchanged shoes for wheat without the use of money?

(a) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who only wants to sell wheat but also doesn't want to buy the shoes in exchange.

(b) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who does not wants to sell wheat but wants to buy the shoes in exchange.

(c) If the shoe manufacturer had to directly exchange shoes for without the use of money, he

would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange.

(d) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who not only wants to sell wheat but also does not want to buy the shoes in exchange.

42) Two different credit situations A large number of transactions in our day-to-day activities involve credit in some form or the other. Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment. In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc. There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop. Farmers usually take crop loans at the beginning of the season and repay the loan after harvest. Repayment of the loan is crucially dependent on the income from farming. In Swapna's case, the failure of the crop made loan repayment impossible. She had to sell part of the land to repay the loan. Credit, instead of helping Swapna improve her earnings, left her worse off. This is an example of what is commonly called debt-trap. Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap. To repay her loan she has to sell a portion of her land. She is clearly much worse off than before. Whether credit would be useful or not, therefore, depends on the risks in the situation and whether there is some support, in case of loss.

1. What is the main demand for credit in the rural areas?

(a) In rural areas, the main demand for credit is for harvest production. Harvest production involves considerable costs on seeds, fertilisers, pesticides, water, electricities repair of equipment etc.

(b) In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricities repair of equipment etc.

(c) in rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on only seeds and fertilisers.

(d) in rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on only seeds, fertilisers, pesticides, water.

2. Define credit.

(a) Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

(b) Credit (loan) refers to an agreement in which the lender takes money. goods or services from the borrower.

(c) Credit (loan) refers to an agreement in which the lender supplies the borrower with only money in return for the promise of future payment.

(d) Credit (loan) refers to an agreement in which the lender supplies the borrower with only money and services in return for the promise of future payment.

3. What do you understand by debt-trap?

(a) Credit in this case pushes the borrower into a situation from which recovery is very easy. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.

(b) Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit decreases earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.

(c) Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.

(d) Credit in this case pushes the borrower into a situation from which recovery is less painful. In one situation credit decreases earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.

43) The Reserve Bank of India supervises the functioning of formal sources of loans. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive. The RBI monitors the banks in actually maintaining cash balance. Similarly, the RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers, etc. Periodically, banks have to submit information to the RBI on how much they are lending, to who, at what interest rate, etc. There is no organisation which supervises the credit activities of lenders in the informal sector. They can lend at whatever interest rate they choose. There is no one to stop them from using unfair means to get their money back.

1. Who supervises the credit activities of lenders in the informal sector?

(a) There are around three organisation which supervises the credit activities of lenders in the informal sector.

(b) There are two organisation which supervises the credit activities of lenders in the informal sector.

(c) There is no organisation which supervises the credit activities of lenders in the informal sector.

(d) There are about four organisation which supervises the credit activities of lenders in the informal sector.

2. Fill in the blanks:

RBI gives loans to_____

(1) To established cultivators, small scale industries, to small borrowers, etc.

(2) To small cultivators, small scale industries, to small borrowers, etc.

(3) To small cultivators, large scale industries, to small borrowers,etc.

(4) Only to small scale industries

3. Fill in the blanks:

There is no organisation which supervises the credit activities of lenders in the _____

(a) Informal sector (b) Primary sector

(c) Secondary sector (d) Tertiary sector

44) Currency Modern forms of money include currency-paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own. Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange in the country. In India, the Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

1. Who issues the currency notes in India? Which is our currency used now a days?

(a) The State Bank of India issues currency notes on behalf of the district government. Nowadays paper notes and coins are used as currency in our country.

(b) The Reserve Bank of India issues currency notes on behalf of the state government.